

# The Competitive Bid Process

Commonwealth of Massachusetts  
Public Employee Retirement Administration Commission



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Public Employee Retirement Administration Commission

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Published by PERAC, 2002. Printed on recycled paper.

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# The Competitive Bid Process

Joseph I. Martin, *PERAC Deputy Executive Director of Policy Development*

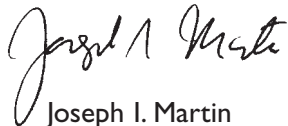
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## Deputy Executive Director's Letter

There is no more challenging responsibility for Retirement Board members than that of prudently selecting investment consultants, managers and custodians. Under the provisions of Chapter 32 Boards rely on the advice of consultants, delegate direct investment of assets to money managers and depend on custodians to account for financial activity. PERAC has often stressed the need for Board members to comply with their fiduciary duty in managing the retirement system. The potential problems that could arise from mismanaging investments underscore the need to act as a prudent expert would in selecting, monitoring and retaining these vendors.

This booklet contains material relating to the competitive bid process, including an outline of the components of such a process and a sample Request for Proposals. It is our hope that PERAC, through this material as well as its Regulations, memos and opinions, will be able to assist Boards in fulfilling the trust owed to system members and their beneficiaries.

Sincerely,



Joseph I. Martin

*PERAC Deputy Executive Director of Policy Development*

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## The Competitive Process and Fiduciary Duty

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Section 1 of Chapter 32 of the General Laws defines a fiduciary as “any person who exercises any discretionary authority or discretionary control respecting management of the funds of any retirement system or exercises any authority or control respecting management or disposition of its assets.”

### Chapter 32

The fiduciary standards are set forth in section 23 of Chapter 32 of the General Laws which state, “A fiduciary as defined in section one shall discharge his duties for the exclusive purpose of providing benefits to members and their beneficiaries with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims and by diversifying the investments of the system so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.”

Fiduciary Duty has three components—an Exclusive Purpose Rule, a Prudent Expert Rule, and a Diversification Rule. In the context of competitive procurement our focus is on the Prudent Expert Rule. In short the question is—How would a prudent expert proceed in selecting a vendor?

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# Outline of the Competitive Process

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## **COMPETITIVE PROCESS**

- Open
- Objective
- Fair
- RFP
- Processing
- Record Keeping

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## **OPEN**

- Public Notice - Reasonable time
- Posted
- Published
- Secretary of State notice
- May send to prospective bidders

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## **OBJECTIVE**

- Evaluation based only on requirements and criteria in RFP
- Pre-established criteria
- Objective and relevant criteria
- Business/Technical
- GFOA, PERAC, PRIM examples

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## **PROCESSING RESPONSES**

- No alteration/corrections after date for submission
- Date stamped on receipt
- Witness to opening RFPs

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## **PROCUREMENT FILE**

- Record of procurement
- Selection process
- Selection criteria
- RFP
- Copy of minutes
- Copy of responses
- Disposal schedule/6 yrs. after contract ends



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## **ROLE OF CONSULTANT**

- Board is decision maker
- Develop RFP
- Data base screen
- Incorporate into data base and analyze respondents
- Selection of consultant
- Ability to meet fiduciary duty of board

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## **CONTRACT**

- Written contract
- Executed prior to assuming duties
- Investment objectives
- Brokerage practices
- Fees
- Termination

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## **BOARD NOTICE OF COMPETITIVE PROCESS**

- Prior to retention of manager/consultant
- Board must notify PERAC competitive process followed
- Chapter 32 provisions met
- PERAC regulations met
- In all cases exemption or not
- No form-statement from board

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## **VENDOR CERTIFICATION FORM**

- All vendors submitting bids
- Selected vendor must submit to PERAC
- Good faith submission
- Without collusion or fraud
- In all cases exemption or not

## Key Points & Concepts

### **Introduction:**

In order for a potential vendor to make a knowledgeable response to the RFP it is necessary that information about the retirement system be made available. This includes present asset allocation, asset size and funded status. In this example, information about the number of managers is also included. The Board should consider this element of the RFP carefully and include more information rather than less. For example, in the case of the RFP for a consultant, Boards may wish to include a copy of the existing Investment Objectives.

### **Schedule of Events:**

The Board must inform the potential respondents of the various deadlines associated with the RFP and must make every effort to meet the schedule. The date and time for submission of the RFP response must be clear and final. Those failing to submit on time must be disqualified.

### **Scope of Services:**

Although the Board will ask for specifics in several areas this section establishes the expectations of the Board in general terms. The particulars that form the basis of the selection decision address how the vendor will accomplish these tasks. In the case of a consultant RFP, the scope includes Investment Policy/Objectives Development, Asset Allocation and Investment Management. In the latter category, services are to be provided relating to portfolio structure, manager selection, and manager monitoring and performance evaluation. In addition, the consultant is expected to provide the Board with reports related to these areas and when called upon to attend Board meetings. Depending on the Board's present situation other services such as custodian search, investment research and education may also be outlined in the Scope of Services. Boards should also include in this section the requirement that the consultant and other vendors assist the Board in complying with PERAC Regulations.

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# Investment Consultant Request for Proposals

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Quabbin Contributory Retirement System (QRS), Quabbin, Massachusetts, administers an investment portfolio of approximately \$130 million in assets. As of January 1, 2002 the assets were invested as follows: 54% in domestic equities, 40% in domestic fixed income and 6% in cash. The portfolio is managed by 12 outside investment managers. QRS has a ratio of assets to liabilities of 65%.

## Section I: Introduction

QRS is seeking investment consulting services to assist the Quabbin Retirement Board (QRB) in making prudent investment management decisions related to the QRS. An investment consultant is not presently advising QRS.

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Pension & Investments Ad	7/29/02
Deadline for Submitting Written Questions	8/13/02
Deadline for Submitting RFP Response	8/20/02 (5:00 p.m.)
Review Completed	9/7/02
Interview at QRB (tentative)	9/19/02
Finalists Selected	9/24/02
Site visits for Finalists (tentative)	10/15/02
Finalists' Presentations	10/30/02
Finalist Selected	11/27/02
Contract Begins	1/1/03

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## Section II: Schedule of Events

Under the direction of the QRB, the services to be provided by the investment consulting firm shall include, but are not limited to, the following:

## Section III: Services to be Provided

### **A. General**

1. Prepare reports reviewing and updating QRS investment policy, criteria and objectives that include strategies for bonds, stock, real estate, alternative and cash investments.
2. Prepare recommendations for amendments or modifications to the QRS portfolio structure with justification for the same.
3. Maintain a broad database of investment managers including their philosophies, styles, fee schedules, portfolio characteristics, firm characteristics, performance, and client base. The information should be available for a wide range of investment managers including equity, bond, international managers, as well as, real estate fund managers and alternative investment managers.



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4. Assist in the development of policies, procedures and guidelines for the various investment programs.

5. Attendance at the meetings of the QRB and other meetings as required.

6. Research and make recommendations for use of real estate investment and alternative investment strategies.

7. Appear before legislative and regulatory bodies as requested by QRB.

8. Assist the QRB in complying with directives of the Public Employee Retirement Administration Commission (PERAC).

**Section III:  
Services to  
be Provided  
(cont.)**

**B. Asset Allocation**

Provide continuous review of investment policy, portfolio mix, and investment strategy relative to changes in the capital market and structure of similar retirement systems. Advise the QRB as to the relationship between these aspects of investment management and the funding status of the QRS.

**C. Manager Search and Selection**

Provide analysis of and assist in hiring external managers.

**D. Performance Measurement and Reporting**

1. Prepare quarterly evaluation reports on the performance of QRS portfolio managers including a comparison with the performance of other managers and public plans.

2. Provide QRB with quarterly and annual performance analysis.

3. Provide QRB with quarterly and annual performance reports of theoretical portfolios, i.e. market indices, benchmarks and composite fund portfolios.

4. Assist QRB in assessing manager performance in accordance with 840 CMR 16.07 including participation in annual manager meetings, review of manager reports and the annual assessment of each manager.

**E. Research and Analysis**

Prepare comprehensive analysis and advice on specific pension issues as requested by the QRB.

## Key Points & Concepts

### **Minimum Qualifications:**

Every RFP should include a set of minimum standards that must be met by all respondents. These primarily focus on business specifications. In this case the standards focus on client asset base, experience of the primary consultant, the firms' years of business and the number of public pension fund clients. In addition the regulatory requirement that respondents be registered under the Investment Advisers Act of 1940 contained in 840 CMR 26.01 (2) is addressed.

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#### **IV. Minimum Qualifications**

#### **Section IV: Minimum Qualifications**

A. The respondent must meet all minimum qualifications to be given further consideration. Failure to satisfy each of the minimum qualifications will result in the immediate rejection of the proposal. Please indicate if your firm meets the following minimum qualifications:

1. The firm must provide investment consulting services to clients with assets totaling at least \$2 billion.
2. The primary consultant assigned to the QRS account must have a minimum of five (5) years experience providing domestic and international investment consulting services to public and/or private pension plans.
3. As of January 1, 2002 the firm must have been in business at least two (2) years.
4. As of January 1, 2002 the firm must have at least two (2) public pension fund clients.
5. In accordance with 840 CMR 26.01 (2) the firm must be registered as an investment adviser pursuant to the Investment Advisers Act of 1940 (15 U.S.C. 80b -1 et seq.)

## Key Points & Concepts

### **Response Procedures:**

The Board must inform the potential respondents of the items that must be part of the response. These must include the PERAC Disclosure Forms and the Vendor Certification. This forms a checklist for the vendor consisting of the Questionnaire, Fee Proposal, Disclosures, and Vendor Certification.



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The following is a list of the required information to be provided by the respondent. A respondent that does not provide the information requested below will be rejected. Please provide the information in the same order in which it is requested.

**Section V:  
Information  
to be  
Provided by  
Respondent**

**A. Proposal Questionnaire**

Respondents must complete and return the Proposal Questionnaire contained in Appendix A. The information requested must be provided in the prescribed format. Responses, which, in the opinion of QRB, materially deviate from the prescribed format, shall be rejected. All responses to the questionnaire will be subject to verification for accuracy. Proposals containing false or misleading information shall be rejected.

**B. Fee Proposal**

Respondents must submit their fee in the format prescribed in Appendix B. The proposed fee shall include all costs and expenses for providing the services to QRS as described in this RFP, and shall be guaranteed for the term of the contract.

**C. Disclosures**

Respondents must submit the Disclosures prescribed in Section VI of Appendix A. In addition, respondents must complete the Disclosure Forms in Attachment A. The response must detail the amount of compensation in whatever form that is associated with the relationship that is being disclosed. Failure to submit the Disclosures shall result in the rejection of the proposal.

**D. Certification of Good Faith**

Respondents must submit a completed certification form prescribed in Attachment B. Failure to submit the certification form shall result in the rejection of the proposal.

## Key Points & Concepts

### **Written Questions**

The process must allow for inquiries to be made by potential respondents. This sometimes takes place through a vendor conference as well as the submission of written questions. In this section of the RFP, the rules for submission of questions and the response to those questions are stated. It is important to note that a date certain for the submission is necessary and answers must be sent to all those who have shown an interest in the RFP, not just the vendor that submitted the question.

### **Submission Process**

The RFP must state what is expected of the respondent in relation to the submission of the RFP. What must be submitted is addressed in Section V. In this section, the number of copies, method of delivery, and other matters are addressed. It is important that responses be directly submitted in hand or by mail and not through fax, e-mail, or disk. In addition, the requirement that a filing that contains errors must be withdrawn and resubmitted in its entirety is stated.

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Questions respondents may have regarding the information presented in this Request for Proposal must be received in writing to the attention of the QRB no later than August 13, 2002. All questions received by that date will be answered by QRB in writing. Copies of all questions and QRB responses will be sent to all parties who indicate the intent to respond to the Request for Proposal.

## Section VI: Submission of Written Questions

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A. Submit six (6) copies of your proposal in a sealed package. Clearly identify the outside of the sealed proposal package with the respondent's name and return address and the statement "Response to Request for Proposal, Investment Consultant, 2002". **FAILURE TO CLEARLY IDENTIFY THE OUTSIDE OF THE PROPOSAL PACKAGE MAY RESULT IN THE REJECTION OF THE PROPOSAL.** QRB is not responsible for receipt of any proposal that is improperly labeled.

## Section VII: Submission of Proposals

B. Submission of proposals or any portion thereof via facsimile transmission, electronic, or magnetic media shall not be allowed. QRB shall not accept or consider any proposal material submitted in this manner.

C. If, prior to the final filing date for submission of proposals, a respondent discovers an error or omission in a proposal already submitted to QRB the only method of correcting, modifying, or completing the proposal is to withdraw the proposal in its entirety prior to the final filing date and time by written notification to QRB. A complete, corrected proposal package may be resubmitted, but not after the final filing date and time. Modification offered in any other manner, oral, written, or facsimile transmission, will not be considered.

D. The proposals become the property of QRB upon submission. All costs for developing proposals and attending interviews are entirely the responsibility of the respondent and shall not be chargeable to QRB. QRB accepts no responsibility for lost and/or late delivery of proposals.

E. Only one proposal from an individual, firm, partnership, corporation, or combination thereof, will be considered. Reasonable ground for believing a respondent has submitted multiple proposals under more than one name will be cause for rejection of all proposals in which the respondent is interested.

## Key Points & Concepts

### **Evaluation:**

Fairness dictates that respondents be provided with some idea of the manner to be used in evaluating the responses. In addition, the Board must state that it has the right to reject responses in certain circumstances, particularly on the basis of information provided in various disclosures. Generally, objectivity requires some type of numerical scoring system. Also, it must be made clear that interview and reference checks as well as Questionnaire responses will be evaluated.

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The purpose of the proposal evaluation process is twofold: (1) to assess the responses for compliance with minimum qualifications, content, and format requirements; and (2) to identify the respondent that has the highest probability of satisfactorily performing the services as described herein. The evaluation process will be conducted in a comprehensive and impartial manner.

## Section VIII: Standards for Evaluating Proposals

QRB may reject any or all proposals and may or may not waive any immaterial deviation or defect in a proposal. QRB will award points based on an analysis of the responses to the Investment Consulting Services Questionnaire, the reference checks and, for semi-finalists and finalists, the oral presentation. QRB reserves the right to reject any proposal based on the disclosures required in Section VI of Appendix A and in the Disclosure Form (Attachment A). In addition failure to file the completed Certification (Attachment B) shall disqualify the respondent from consideration.

Proposals that contain false or misleading statements, or which provide references that do not support an attribute or condition claimed by the respondent shall be rejected.

### **A. Written Proposal Evaluation**

Proposals that meet the minimum qualifications will undergo an evaluation process conducted by the QRB.

### **B. Semi-Finalist Interviews**

Up to six (6) of the highest scoring Respondents, after the written proposal and fee evaluation, will be considered semi-finalists and will have an oral interview with QRB. The semi-finalists will be notified of the date and time of the interview to be held at the QRB offices.

### **C. Finalists Selections**

After completion of all evaluations, up to three (3) finalists will be determined.

### **D. Reference Checks and On-Site Inspections**

Reference checks will be conducted for each semi-finalist. On-site inspections of offices may be conducted for any or all finalists at the option of QRB.

### **E. Finalist Interviews**

The finalists will have an interview with the QRB.



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Based upon the overall scoring including the finalists' presentations before the QRB the contract will be awarded on or before November 27, 2002.

Section IX:  
Award of the  
Contract

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The contract shall be effective January 1, 2003.

Section X:  
Commencement  
Date

## Key Points & Concepts

### **Appendix A-Investment Consulting Services Questionnaire:**

There are different styles of RFP. Some use the Questionnaire format that separates the questions that relate to the ability of the respondent to perform the Scope of Services from the other procedural provisions of the RFP. In any event, substantive, technical inquiries emphasizing the firms' ability to provide the services form the central component of any RFP.

Points are generally granted based on an assessment of each response. Although it is often difficult to quantify a vendor's ability, the need for objective comparison between respondents dictates the use of a point system.

### **General Information:**

The focus of this section is the organization itself, its ownership structure, recent significant developments, and anticipated changes in that structure. The experience of personnel, particularly those who would be responsible for the account, client base, and regulatory/litigation history are covered in this section. It is also important to assess the number of clients that each individual consultant in a firm is expected to service, in order to gauge the level of service the Board would receive. Litigation/regulatory action against the firm or its owners and officers is a crucial question as it reflects on the past compliance of the firm with statutes and regulations that establish the environment in which the firm will serve the Board. All RFPs seeking a service should include similar inquiries. This is also the section in which inquiry is made regarding the respondent's insurance coverage.



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## Appendix A: Quabbin Retirement System Request for Proposal, Investment Consulting Services Questionnaire, 2002

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### Section I: General Information

A. Provide a brief history of your firm and its operation. Include the year formed, ownership, structure, and biographies of the principals, affiliations, profit sharing programs, and ownership changes in the last five (5) years. Describe your firm's growth objectives and your plans for managing that projected growth.

B. Explain how the firm controls the quality of service provided to the clients, the number of consultants in the firm, and the average number of clients assigned per consultant. What is the maximum number of clients per consultants you maintain?

C. What is your firm's mission statement? What do you see as your organization's strongest area of expertise?

D. Provide the names, portfolio sizes and lengths of engagements for the client base using your services for full service consulting.

E. How many personnel in your firm are CFAs? How many have at least one year of institutional experience in public funds administration? Active equity management? Fixed income management? Cash management? Equities trading? Bond trading? Real estate management? Alternative investment?

F. Assuming your firm is selected, provide biographical information on the individual proposed to serve as the primary consultant, his/her principal assistant and other key members assigned to the account. Specify the anticipated role and scope of involvement of each individual. For the primary consultant and principal assistant, provide the names of all clients and nature of their relationships. Describe their experience in dealing with legislative and regulatory bodies.

G. Provide a listing of clients lost or gained during the past five (5) years. List size of the fund and reason for ending the relationship(s).

H. Describe your firms' commitment to research and systems enhancements. What, if any, expansions do you anticipate in your technical and systems capabilities?

I. Has there been any litigation or regulatory action against your firm or its principal/owners/officers in the last five (5) years? If yes, please explain.

## Key Points & Concepts

### **Performance Measurement and Portfolio Analytics:**

This series of questions focuses on services to be provided by the consultant. Areas such as the data sources used, method of data collection, reporting format and the different reports that can be generated, and performance comparison methodology are all elements of the consultants operation that are reviewed in this section.

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J. Does your firm, its principals and affiliates subscribe to the AIMR Code of Ethics?

K. Describe the levels of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. List the insurance carriers.

**Section I:  
General  
Information  
(cont.)**

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A. Describe the content and format of all performance reports.

B. Are all performance reports compliant with AIMR Performance Presentation Standards?

C. What is the anticipated availability dates for each report in terms of the number of calendar days after quarter end?

D. How much flexibility is there in your reporting format? Can reports be customized at our request? Within what time can requested changes in reporting be made; i.e., at the beginning of the relationship only or anytime changes are needed?

E. Please provide samples of your performance reports.

F. Briefly describe your firm's database(s), include size, composition, % public funds, % private funds, etc. Is it proprietary or purchased from an independent source? If proprietary, how is the data compiled?

G. Describe your firm's capabilities to evaluate securities lending programs.

H. Describe your firm's capabilities to perform trading cost evaluations.

**Section II:  
Performance  
Measurement  
and Portfolio  
Analytics**

## Key Points & Concepts

### **Asset Allocation Model:**

In this section the consultants' ability in the area of asset allocation is reviewed. The technical methodology used, participation by the Board, and time frames involved form the basis of the questions.

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A. Describe how your firm is prepared to consult with and make presentations to the Board on asset allocation changes and other asset allocation issues related to total portfolio.

### Section III: Asset Allocation Model

B. Address the ability of your process to work within existing, long-term policy guidelines. How are investment objectives and range constraints factored into the optimization process?

C. What is your commitment to internal research into the construction and assumptions used in your asset allocation model(s)?

D. To what extent do you rely on a static model and/or inputs and construction process of an outside vendor's model?

E. To what extent would you involve QRB fiduciaries and staff in discussing the economic climate and asset return assumptions that form the basis of your asset allocation model?

F. What strategy or evaluation process does your firm employ to measure the risk tolerance of your client fiduciaries?

G. How do you address those fiduciaries' biases that may adversely affect the outcome of the asset allocation model or manager selection processes?

H. What time frame does your asset allocation model use?

I. Describe the models or process used for optimizing strategic asset allocation in changing economic circumstances.

J. How often do you recommend a formal review of asset allocation policies?

## Key Points & Concepts

### **Manager Search Process and Asset Allocation Implementation:**

After development of an investment plan and the establishment of investment objectives, the implementation stage begins. Manager search capabilities form an important aspect of the services being sought by the Board. The search process and methodology, benchmarks/comparisons, database of managers, research ability and manager monitoring approach are all elements reviewed in this section. This is also the section to seek information about the consultants experience with various screens such as tobacco, as well as the ability of the consultant to assist in searches seeking alternative or real estate managers.

- 
- A. Describe in detail your manager database and search process.
- B. Explain how firms enter your search universe. How do they “get a foot in the door” of your database?
- C. Describe the frequency and magnitude of manager turnover resulting from performance reports, portfolio reviews or asset allocation changes resulting from the optimization strategy provided to your clients.
- D. What role does passive management play in your firm’s general view of the asset allocation process for your clients?
- E. How many active managers are retained by your average client? To what styles and market cap ranges are they assigned?
- F. Has your manager evaluation process resulted in the recommendation of the same equity and fixed income managers consistently over several searches? Please explain and provide examples of recent studies.
- G. Have you ever assisted any clients in the development and/or evaluation of: (a) social or country screens such as evaluating a portfolio for holdings in tobacco companies, or (b) economically targeted investments or other “social” programs? Provide a brief outline of your experiences, if any, and your general view of the role of such screens and programs in pension plans like QRS.
- H. Describe your role in implementing manager transitions and/or rebalancing strategic asset allocation targets.
- I. Explain how due diligence reviews are performed and at what point such reviews would be initiated. Do you initiate or do you wait for instructions from your client to do so?
- J. Describe your capabilities to evaluate specialty asset managers. Are there any manager types which you have difficulty evaluating? If so, why and what plans are there for alleviating the problem?
- K. Describe your firm’s expertise in the area of real estate. How many professionals, if any, are dedicated to your real estate research area?
- L. How many clients do you have who currently invest in real estate? Do they use your firm as their sole consultant for real estate or do they also use a dedicated real estate consultant?

**Section IV:  
Manager  
Search Process  
and Asset  
Allocation  
Implementation**





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M. What is your experience with initiating a real estate investment program? Please describe in detail how you would approach assisting a client in establishing a real estate investment program.

N. Discuss the role of alternative investments within a pension portfolio? Do you have clients using alternative investments? If so, what form of alternatives? How does your firm assist in the design, implementation and monitoring of such an investment program? Do you have staff dedicated to researching this asset class?

**Section IV:  
Manager  
Search Process  
and Asset  
Allocation  
Implementation  
(cont.)**

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In the event that a respondent is selected as a semi-finalist, QRB will contact three references provided and points will be awarded based on the response.

A. Please supply a list of your five largest clients and include size of their fund.

B. Please list all public fund clients. Include the size of their fund and length of service to them.

C. Please provide three references including at least one public fund client. Include name, title, fund, address, and phone number.

**Section V:  
Reference  
Information**

## Key Points & Concepts

### **General Disclosures:**

Various disclosures are central to insuring that the Board makes a reasoned and knowledgeable decision. This is true of all services or products that the Board may seek but it is of particular concern in the area of investment consultant. The Board will be relying on objective, unbiased advice from the consultant and must be aware of potential conflicts that may impact that advice prior to selecting the consultant. Many consultant firms receive revenue from managers, brokers and other service providers. In some cases, such as money managers, the consultant may be recommending a manager with whom it has a relationship to the Board. This must be disclosed. Any relationship with the Board's existing managers must also be disclosed.

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**Section VI:  
General  
Disclosures**

A. Please list all services your firm, its principals or any affiliate provide that generate revenues for the firm and indicate the applicable percent of your firm's total revenue during the past three years. These should include consulting services for Plan Sponsors, money management activities and services to money managers.

Did these services produce 100% of your firm's revenue during the reporting period? If not, provide information regarding the differences.

B. Does your firm, its principals, or any affiliate, own any part of a money management firm, broker-dealer or other organization that sells services to institutional investors and/or SEC registered investment advisors? If so, identify the firm(s) and describe the relationship.

C. Has your firm, its principals or any affiliate ever (i) been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization, (ii) been a party to any litigation concerning fiduciary responsibility or other investment related matters, or (iii) submitted a claim to your errors and omissions, fiduciary liability, and/or fidelity bond insurance carrier(s)? If yes to any, please provide details.

D. Please list all money management firms from which your firm, its principals, or any affiliates receive compensation. Please identify these revenue sources as client directed, payment for services, and/or revenues not related to a letter of direction or specific services. For the year ended 12/31/01, please provide specific information related to amounts your firm, its principals, or any affiliate received from each of QRS money managers (listed in Appendix C) identifying all revenues resulting from direct payments and gross directed brokerage.

## Key Points & Concepts

### **Appendix B:**

Under PERAC Regulations, the fee for investment consultant services must be paid in a fixed dollar amount and cannot be based on a percentage of assets. (840 CMR 26.01(5))

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# Appendix B: Fee Schedule

A. Annual fee for full-service consulting arrangement in hard dollars.

\$ \_\_\_\_\_

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# Appendix C: QRB Investment Managers

Dennis Investments	S&P 500 Index
Martin, Valeri and Lamenzo	Russell 100Value Enhanced Index
The Boorack Group	Large Cap Growth
Cipriani Investment Management	Mid Cap Value
Marcorelle, Colon & Nimiera	Mid Cap Growth
Phillips Partners	Small Cap Value
XYZ Capital	Small Cap Growth
Seven Hills Investments	Domestic Fixed Income
JPMCO	Domestic Fixed Income
Dane Street	Domestic Fixed Income
Dartmouth Bartlett	Lehman Aggregate Index
Lynch Park Capital	Lehman Govt/Corp Index

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## Attachment A: Vendor Certification

This form is available for download at the PERAC Web site: [www.mass.gov/perac](http://www.mass.gov/perac).

# VENDOR CERTIFICATION

[REVISED 11.98]

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In all circumstances 840 CMR 16.08 requires all investment related service providers to complete this form and submit it to the retirement board. The board must file the completed form with PERAC. Upon acknowledgement from PERAC that this and other filings have been received, the board may retain the service provider.

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A person submitting a bid or proposal to provide services to a retirement board shall certify, in writing, on the bid or proposal, as follows:

The undersigned certifies under penalties of perjury that this bid or proposal has been submitted in good faith and without collusion or fraud with any other person. As used in this certification, the word "person" shall mean any natural person, business, partnership, corporation, union, club, or other organization, entity or group of individuals.

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SIGNATURE OF INDIVIDUAL SUBMITTING BID OR PROPOSAL

---

NAME OF BUSINESS

**PERAC**



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION  
5 MIDDLESEX AVE., 3RD FLOOR, SOMERVILLE, MA 02145  
PH: 617.666.4446 FAX: 617.628.4002  
WEB: [WWW.STATE.MA.US/PERAC](http://WWW.STATE.MA.US/PERAC)

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## Attachment B: Disclosure Statement

This form is available for download at the PERAC Web site: [www.mass.gov/perac](http://www.mass.gov/perac).



# DISCLOSURE STATEMENT [REVISED 11.98]

840 CMR 17.04 requires this form to be completed by the manager/fund and submitted to the retirement board. The board must then file the completed form with PERAC. Upon acknowledgement from PERAC that this and other filings have been received, the board may retain the manager or invest in the fund.

NAME OF RETIREMENT BOARD

NAME OF INVESTMENT MANAGER OR CONSULTANT (LAST, FIRST, MIDDLE INITIAL) (HEREINAFTER REFERRED TO AS THE VENDOR)

It is required that every qualified investment manager and every consultant shall inform the Commission and the board of any arrangements, oral or in writing, for compensation or other benefit received or expected to be received or referral fees paid or expected to be paid by the qualified investment manager or consultant or a related person from others in connection with the qualified investment manager's or consultant's services to the board.

- ① Is the above-named vendor presently making or receiving and has the above-named vendor made or received payments, remuneration, reciprocal influence, or any thing of value in connection with obtaining, soliciting, or retaining clients or prospective clients? ☐ Yes ☐ No

If yes, state policy below. Please attach additional page[s] if necessary.

- ② Is the above-named vendor presently making or receiving and has the above-named vendor made or received payments, remuneration, reciprocal influence or any thing of value in connection with obtaining, soliciting, or retaining business with or from any of the 107 retirement boards established pursuant to G.L. c. 32? ☐ Yes ☐ No

If yes, state policy below. Please attach additional page[s] if necessary.

# PERAC



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5 MIDDLESEX AVE., 3RD FLOOR, SOMERVILLE, MA 02145  
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## DISCLOSURE STATEMENT

[PAGE 2]

- ③ Is the above-named vendor presently making or receiving and has the above-named vendor made or received payments, remuneration, reciprocal influence, or any thing of value in whatever form in connection with the development of products or services to be marketed to pension funds? ☐ Yes ☐ No

If yes, state policy below. Please attach additional page[s] if necessary.

- ④ Is the above-named vendor presently making or receiving and has the above-named vendor made or received payments, remuneration, reciprocal influence, or any thing of value in whatever form in connection with the development of products to be marketed to any of the 107 retirement boards established pursuant to G.L. c. 32? ☐ Yes ☐ No

If yes, state policy below. Please attach additional page[s] if necessary.

- ⑤ Has any person or entity not employed by the above-named vendor offered to assist said individual or entity in marketing its services or products, to any of the 107 retirement boards established pursuant to G.L. c. 32? ☐ Yes ☐ No

If yes, provide below the name and address of person or entity.

NAME OF PERSON OR ENTITY

STREET ADDRESS

CITY

STATE

ZIP

- ⑥ Has any person or entity not employed by the above-named vendor offered to assist in the development of products or services to be marketed to any of the 107 retirement boards established pursuant to G.L. c. 32? ☐ Yes ☐ No

**6 Continued**

If yes, provide below the name and address of person or entity.

NAME OF PERSON OR ENTITY

STREET ADDRESS

CITY

STATE

ZIP

- 7** Has the above-named vendor solicited any person or entity to assist the individual or entity in marketing the services or products of the individual or entity, to any of the 107 retirement boards established pursuant to G.L. c. 32?

☐ Yes

☐ No

If yes, provide below the name and address of person or entity.

NAME OF PERSON OR ENTITY

STREET ADDRESS

CITY

STATE

ZIP

- 8** Has the above-named vendor solicited any person or entity to assist in the development of products or services to be marketed to any of the 107 retirement boards established pursuant to G.L. c. 32?

☐ Yes

☐ No

If yes, provide below the name and address of person or entity.

NAME OF PERSON OR ENTITY

STREET ADDRESS

CITY

STATE

ZIP

- 9** Have there been payments, remuneration, reciprocal influence, or any thing of value in whatever form, provided to others or received in connection with the marketing of any services or any product to any of the 107 retirement boards established pursuant to G.L. c. 32?

☐ Yes

☐ No

**⑨ Continued**

If yes, provide below the name and address of such person or entity as well as a detailed statement of such transactions.

NAME OF PERSON OR ENTITY

STREET ADDRESS

CITY

STATE

ZIP

STATEMENT OF TRANSACTION [Please attach additional page[s] if necessary.]

- ⑩** Have there been payments, remuneration, reciprocal influence, or any thing of value in whatever form, provided to others or received in connection with the development of a product or a service to be marketed to any of the 107 retirement boards established pursuant to G.L. c. 32?

☐ Yes

☐ No

If yes, provide below the name and address of such person or entity as well as a detailed statement of such transactions.

NAME OF PERSON OR ENTITY

STREET ADDRESS

CITY

STATE

ZIP

STATEMENT OF TRANSACTION [Please attach additional page[s] if necessary.]

## DISCLOSURE STATEMENT

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- 11 Does the above-named vendor have an arrangement regarding the use of "soft dollar", "directed brokerage", "cash rebate", "commission recapture" programs or any other similar arrangement regarding brokerage generated by the Board's account?

☐ Yes

☐ No

If yes, state policy below. Please attach additional page[s] if necessary.

- 12 Does the above-named vendor have an arrangement with regard to the use of "soft dollar", "directed brokerage", "cash rebate", "commission recapture" or similar arrangement with any Board established by G.L. c. 32?

☐ Yes

☐ No

If yes, provide a detailed statement of the terms and conditions of said arrangement or arrangements. Please attach additional page[s] if necessary.

NAME OF INDIVIDUAL OR ENTITY (PRINT OR TYPE)

DATE

I attest that under the penalties of perjury that the above statements are true.

\_\_\_\_\_  
NAME (PRINT OR TYPE)

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
TITLE

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## Notes

Commonwealth of Massachusetts  
Public Employee Retirement Administration Commission  
5 Middlesex Avenue  
Third Floor  
Somerville, MA 02145  
*ph* 617 666 4446  
*fax* 617 628 4002  
*tty* 617 591 8917  
*web* [www.mass.gov/perac](http://www.mass.gov/perac)